

Message Text

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ORIGIN OPIC-12

INFO OCT-01 NEA-14 ISO-00 EB-11 COME-00 TRSE-00 OMB-01

AID-20 (ISO) R

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OPIC AVP/F

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R 041723Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E.O. 11652: NA

TAGS: E/FIN, PK

SUBJECT: PROPOSED OPIC LOAN FOR PAKISTANI HOTELS

1. OPIC IS CONSIDERING BOTH DOLLAR AND LOCAL CURRENCY LOANS
TOTALLING DOL 3.0 MILLION TO HASHWANI HOTELS LIMITED FOR
CONSTRUCTION 200 ROOM FIRST CLASS HOTEL KARACHI AND 150
ROOM FIRST CLASS HOTEL ISLAMABAD. HOTELS WOULD BE MANAGED
UNDER CONTRACT BY HOLIDAY INNS (HI), WHICH IS
ALSO CONSIDERING EQUITY INVESTMENT IN THE INNS. (OPIC INSISTS
ON HI INVESTMENT AS CONDITION OUR LOAN). OTHER LOANS FROM
U.S. AND LOCAL SOURCES AS YET TO BE ARRANGED.

2. WOULD APPRECIATE EMBASSY COMMENTS ON THE FOLLOWING ITEMS OPIC
IS IN THE PROCESS OF REVIEWING:

(1) REPUTATION, RELIABILITY AND FINANCIAL STRENGTH OF
HASHWANI/HASHANALI GROUP. GROUP IS ENGAGED IN GRAIN TRADING
AND HAS CONTROLLING INTEREST IN QUETTA TEXTILE MILLS. WE
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UNDERSTAND THAT GOP NATIONALIZED COTTON EXPORT A YEAR AGO

AND HASHANALI NOW IS A SALES AGENT INSTEAD OF SELLER FROM OWN ACCOUNT. DOES TAKEOVER OF COTTON TRADING HAVE ADVERSE EFFECT ON THEIR BUSINESS ACTIVITIES OR POLITICAL ACCEPTABILITY? WE HAVE HIGHLY FAVORABLE REPORTS ON HASHWANIS FROM BANK OF AMERICA AND CONTINENTAL GRAIN.

(2) NEED FOR HOLIDAY INNS. PROJECTIONS INDICATE SHORTAGE OF ROOMS IN BOTH CITIES IN SPITE OF PLANNED ADDITIONAL HOTELS. PROJECTIONS SHOW OPENING TWO OTHER FIRST CLASS HOTELS IN KARACHI AND EXPANSION OF INTERCONTINENTAL IN 1976 STILL LEAVES DEFICIT OF 500 ROOMS THROUGH 1980. NO OTHER HOTELS PROJECTED IN ISLAMABAD UNTIL 1978; A 300 ROOM DEFICIT WITHOUT HOLIDAY INN IS PROJECTED THROUGH 1981. DO THESE PROJECTIONS APPEAR "REASONABLE." HASHWANIS PROJECT ROOM RATES SOMEWHAT LOWER THAN INTERCONTINENTAL. DOES THIS APPEAR CRITICAL FACTOR IN HI'S FILLING HOTELS?

(3) ECONOMIC BENEFITS PAKISTAN. OVER FIRST 10 YEARS OF HOTEL OPERATIONS PROJECTIONS SHOW NET FOREIGN EXCHANGE INFLOWS TO PAKISTAN. ALL EMPLOYEES EXCEPT INNKEEPERS AND PERHAPS CHEFS WILL BE PAKISTANI. WOULD EMBASSY COMMENT ON OTHER POSSIBLE BENEFITS TO PAKISTAN OF HOTELS OR ADVERSE EFFECTS, IF IT PERCEIVES ANY. KISSINGER

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